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RUEHAH/AMEMBASSY ASHGABAT IMMEDIATE 0763
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RUEHEK/AMEMBASSY BISHKEK IMMEDIATE 1376
RUEHDBU/AMEMBASSY DUSHANBE IMMEDIATE
RUEHMO/AMEMBASSY MOSCOW IMMEDIATE 9464
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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 000102

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IR, RS, ZK

SUBJECT: PRC/CENTRAL ASIA: NATURAL GAS PIPELINE OPENING
SIGNALS INCREASING CHINESE PRESENCE IN CENTRAL ASIA

REF: A. 09 ASTANA 2168

[1](#)B. 09 ASHGABAT 1619

[1](#)C. 09 BEIJING 1844

[1](#)D. 09 BEIJING 3326

[1](#)E. 09 BAKU 996

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Classified By: Political Minister Counselor Aubrey Carlson. Reasons 1.
4 (b, d)

[1](#)1. (C) Summary: Following President Hu Jintao's December 12-14 visit to Central Asia and his participation in the inauguration of the China-Central Asia natural gas pipeline, the PRC hopes to deepen political and economic ties to the region, according to the Ministry of Foreign Affairs (MFA). In bilateral talks with Kazakhstan, its most important partner in the region, the PRC expressed desire to strengthen "mutual political trust" and economic cooperation. In Turkmenistan, the PRC seeks to expand investment in transportation, communications and infrastructure sectors, among others, in addition to investing in energy projects. The Shanghai Cooperation Organization (SCO) will not serve as a framework for future energy cooperation, according to the MFA, because security cooperation and maintaining stability will remain the organization's primary foci. While Russia, China and the Central Asian countries agree on the need to maintain stability in the region, counter-terrorism cooperation has been inconsistent, according to a PRC scholar. End Summary.

[1](#)2. (C) MFA European and Central Asian Affairs Department Central Asia Division Director Guo Yu December 30 told PolOff that PRC President Hu Jintao's December 12-14 working visits to Kazakhstan and Turkmenistan and his participation in the inauguration ceremony of the China-Central Asia natural gas pipeline with the leaders of Kazakhstan, Turkmenistan and Uzbekistan reflected PRC recognition of Central Asia's growing importance to China. Guo stated that Hu's separate talks with Kazakhstan President Nursultan Nazarbayev, Turkmenistan President Gurbanguli Berdimuhamedov and Uzbekistan President Islam Karimov had been uniformly positive and paved the way for deepening bilateral ties.

Kazakhstan: PRC's Most Important Partner in Central Asia

[1](#)3. (C) China viewed Kazakhstan as its most important partner

in the region, according to Guo. China sought to promote the Sino-Kazakh strategic partnership by strengthening bilateral "political mutual trust," which entailed continuing high-level exchanges and ensuring each side "clearly articulated" its positions on issues of mutual concern. Noting the many areas of potential economic cooperation in addition to energy (ref A), Gu highlighted hydro-electric, agriculture and infrastructure sectors as drawing increased attention from Chinese investors. Asked whether projects in these or other sectors would tap into the USD-5-billion loan from the EXIM Bank of China (an amount coupled to the USD-5-billion China National Petroleum Company loan to the Kazakh state oil company) announced in April, Guo acknowledged that to date no loan funds had been committed to projects.

Turkmenistan: Trade Destination/Pipeline Inauguration

¶4. (C) Turkmenistan Embassy Counselor Bayram Klychmamedov (protect) told PolOff December 29 that President Hu's participation in the China-Central Asia natural gas pipeline inauguration reflected the region's growing importance to the PRC. He noted that in contrast to when he arrived in Beijing in 2001, when he had spent much time explaining basic facts about Turkmenistan to Chinese investors completely unfamiliar with the region, Chinese investors now regularly sought him out to explore investment possibilities. Klychmamedov claimed that over the past ten years Sino-Turkmen trade volume had increased twenty fold, up to USD 1 billion in ¶2009. He noted that the majority of the trade volume consisted of Chinese exports to Turkmenistan, but with the advent of the natural gas pipeline, he expected the deficit to swing toward China.

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¶5. (C) Klychmamedov acknowledged that the agreement to send 30 billion cubic meters (bcm) per annum to the PRC represented a sizeable commitment of Turkmenistan's natural gas reserves. Klychmamedov suggested, however, that Turkmenistan could easily produce up to 100 bcm annually, and therefore could accommodate its PRC commitments as well as the 30 bcm pledged to Russia and 10 bcm to Iran (through the soon-to-be-opened Dovletabat-Sarakhs-Khangiran pipeline) (ref B). MFA's Guo commented separately that the two sides were still discussing pricing, and while aware of the different potential export markets for Turkmenistan's natural gas, the PRC had stressed in bilateral discussions the need for secure and smooth operation of the China-Central Asia gas pipeline.

¶6. (C) In addition to the inauguration of the natural gas pipeline, Klychmamedov reported, the two sides had agreed to implement the second phase of a telecommunications project. Turkmenistan also planned to purchase Chinese railcars and locomotives as part of a PRC-financed transportation project. MFA's Guo confirmed that while the PRC hoped to promote greater economic cooperation "in all sectors," the PRC had offered no new soft loans or grants during the December visit.

No SCO Involvement in Future Energy Projects

¶7. (C) Commenting on prospects for future agreements on energy projects within the SCO framework, Renmin University Central Asia scholar Chen Xinming told PolOff December 30 that "like all multilateral institutions, the SCO would be a cumbersome channel to work out (energy project) agreements." He said that the China-Central Asia pipeline demonstrated that a series of bilateral agreements among participating countries was a more effective means to implement collaborative projects. Turkmen diplomat Klychmamedov separately agreed and affirmed that Turkmenistan had no plans to join the SCO, particularly given that the pipeline project demonstrated that Turkmenistan's interests could be addressed bilaterally. MFA's Guo acknowledged that the June 16 SCO

summit in Yekaterinburg had focused members on the global financial crisis (ref C), but noted that China viewed the SCO mainly as a security grouping for maintaining stability and addressing the "three evils" of terrorism, extremism and separatism, and that economic issues were a subordinate focus.

Maintaining Peace and Security

18. (C) MFA's Guo noted that during Hu's Central Asia visit, the four countries (China, Kazakhstan, Uzbekistan and Turkmenistan) had pledged to strengthen security cooperation through training programs, exchanges of security personnel and "information-sharing." Turkmen diplomat Klychmamedov reported that in bilateral discussions, beyond basic agreement to fight the "three evils," neither side had discussed specific terrorist threats or cooperative measures.

No Consensus on Addressing Terrorism in Region

19. (C) Renmin University's Professor Chen commented that while Russia, China and the Central Asian states all grasped that stability was a regional imperative and that terrorism was a threat to stability, little consensus existed among them on how to address the threat. He suggested, for example, that Kyrgyzstan's agreement to allow the United States to use Manas airbase for operations in Afghanistan represented one strategy to promote stability that was not supported by others in the region. Chen averred that cooperation on terrorist issues was sometimes inconsistent. While offering no specifics, Chen claimed that "certain groups" in Kazakhstan and Uzbekistan, while not conducting illegal activities locally, were supporting separatist elements in China's far-western Xinjiang region. The Kazakh and Uzbek governments would take action against these groups only in response to PRC requests; absent PRC pressure, the authorities would leave them alone.

HUNTSMAN